

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 CIAE-00 DODE-00 PM-05 H-01  
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15  
ICA-11 /074 W  
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R 151357Z AUG 78  
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TO /SECSTATE WASHDC 3074  
INFO AMEMBASSY COPENHAGEN  
AMEMBASSY MOSCOW  
AMEMBASSY OSLO  
AMEMBASSY REYKJAVIK  
AMEMBASSY STOCKHOLM

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C O R R E C T E D C O P Y (TEXT)

E.O. 11652: N/A  
TAGS: PINT, FI  
SUBJECT: GOVERNMENT PARTIES REACH AGREEMENT ON ECONOMIC PROGRAM:  
PROSPECTS STRENGTHENED FOR CONTINUATION OF COALITION UNTIL  
MARCH

REF: HELSINKI 1739

1. FOLLOWING THE HOLDING OF POLITICAL PARTY CONGRESSES IN  
EARLY SUMMER AND THE TRADITIONAL LENGTHY FINNISH SUMMER  
VACATIONS, LEADERS OF THE GOVERNMENT COALITION PARTIES MET  
IN HELSINKI THE WEEK OF AUGUST 7 TO DETERMINE THE GENERAL  
OUTLINE OF THE GOVERNMENT'S ECONOMIC PROGRAM FOR 1979.  
THE MEETINGS ALSO PROVIDED THE FIRST POST SUMMER VACATION  
OPPORTUNITY TO TEST THE DEGREE OF COMMITMENT OF THE FOUR  
GOVERNMENT PARTIES TO HOLDING THE GOVERNMENT COALITION  
TOGETHER UNTIL THE PARLIAMENTARY ELECTIONS SCHEDULED FOR  
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MARCH, 1979.

2. LEADERS OF THE FOUR PARTIES WERE IN FACT ABLE  
TO COME TO AGREEMENT ON AN ECONOMIC PROGRAM, BEING  
REFERRED TO HERE AS ECONOMIC STIMULATION PACKAGE FOUR.  
ESSENTIALLY, THE PROGRAM FOLLOWS RATHER CLOSELY  
THE LINES OF ITS PREDECESSORS, WITH HOWEVER SOMEWHAT

MORE EMPHASIS ON STIMULATION OF INVESTMENT ACTIVITY, DOMESTIC CONSUMPTION AND EMPLOYMENT CREATION. WITH RESPECT TO THE LATTER, THE PROGRAM AIMS TO PROVIDE PUBLIC SECTOR WORK FOR SOME 50,000 PERSONS NEXT WINTER, OF WHICH 30,000 WOULD BE PART-TIME JOBS. WHILE CONTINUING MOST, BUT NOT ALL, STIMULATION MEASURES FOR THE PRIVATE SECTOR, THERE IS MORE EMPHASIS IN THE NEW PACKAGE ON THE LAUNCHING OF PUBLIC INVESTMENTS. GOVERNMENT ECONOMISTS STATE THAT THE VASTLY IMPROVED BALANCE OF PAYMENTS SITUATION, REDUCED INFLATIONARY PRESSURES, AND THE EASED MONETARY SITUATION WILL PERMIT THE GOVERNMENT TO FINANCE ITS INCREASED STIMULATION AND EMPLOYMENT CREATION PROGRAMS THROUGH ADDITIONAL DOMESTIC BORROWING.

3. CONSERVATIVE OPPOSITION AND BUSINESS CIRCLES HAVE CRITICIZED THE PACKAGE FOR INADEQUATE STIMULATION OF THE PRIVATE SECTOR AND EXCESSIVE EMPHASIS ON PUBLIC-SECTOR INVESTMENT AND JOB CREATION. ALL FOUR GOVERNMENT PARTIES, HOWEVER, EXPRESSED BASIC SATISFACTION WITH THE PACKAGE, ALTHOUGH NONE OF THE FOUR PARTIES WAS COMPLETELY HAPPY WITH ALL ASPECTS OF THE PROGRAM. PRIME MINISTER SORSA, SPEAKING FOR THE CABINET, SAID THE PROGRAM IS A BALANCED AND CONSEQUENTIAL EXTENSION OF THE CABINET'S PREVIOUS LIMITED OFFICIAL USE

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ECONOMIC POLICY AND THAT THE GOVERNMENT PARTNERS HAVE ESTABLISHED A GOOD (POLITICAL) BASE FOR THE FUTURE. SORSA CONCLUDED THAT NEVERTHELESS TEMPERENCE IN NEGOTIATIONS OF WAGES AND FARMERS' INCOME WILL BE NECESSARY.

4. COMMENT. AGREEMENT BY THE GOVERNMENT PARTNERS ON STIMULATION PACKAGE FOUR CONSIDERABLY STRENGTHENS PROSPECTS THAT THE GOVERNMENT COALITION WILL PERSEVERE UNTIL THE MARCH 1979 ELECTIONS. NEVERTHELESS, CONTINUED COOPERATION AMONG THE GOVERNMENT COALITION PARTNERS IS NOT AS YET COMPLETELY ASSURED. A NUMBER OF TROUBLESOME HURDLES REMAIN TO BE SURMOUNTED BETWEEN NOW AND MARCH. THERE MAY STILL BE DISAGREEMENTS AMONG THE GOVERNMENT PARTNERS OVER THE DETAILS OF THE 1979 BUDGET, WHICH IS THE GOVERNMENT'S NEXT ORDER OF BUSINESS. ALSO, THE QUESTION OF FARMERS' INCOME, TO BE NEGOTIATED THIS FALL, ALWAYS CONTAINS THE SEEDS OF DISAGREEMENT BETWEEN THE AGRARIAN-BASED CENTER PARTY AND ITS LABOR-SUPPORTED MAJOR COALITION PARTNERS. FINALLY, THE CURRENT TWO-YEAR WAGE AGREEMENTS COVERING MOST FINNISH WORKERS MUST BE RENEGOTIATED NEXT

FEBRUARY AND MARCH WHICH COULD CAUSE ADDITIONAL STRAIN AMONG THE COALITION PARTNERS.

5. SUCH CAVEATS NOTWITHSTANDING, IT IS CLEAR THAT THE SUMMER PARTY CONGRESSES FAILED TO GENERATE SIGNIFICANT PRESSURE WITHIN ANY OF THE GOVERNMENT COALITION PARTNERS TO PULL OUT OF GOVERNMENT AND TO PRECIPITATE EARLY ELECTIONS. THE GOVERNMENT PARTNERS APPEAR TO BE EYEING EACH OTHER WARILY IN AN EFFORT TO ASSURE THAT NONE ATTEMPTS TO OBTAIN ELECTORAL ADVANTAGE THROUGH SOME SURPRISE POLITICAL MOVE THREATENING THE COALITION. HOWEVER, THE TIME LEFT FOR SUCH MOVES IS RAPIDLY RUNNING OUT, AND THE ODDS FAVORING MARCH ELECTIONS IMPROVE DAILY.  
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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COALITION GOVERNMENT, AGREEMENTS, GOVERNMENT REFORM, ECONOMIC PROGRAMS, POLITICAL SITUATION  
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**Copy:** SINGLE  
**Draft Date:** 15 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978HELSIN02627  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Previous Handling Restrictions:** n/a  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
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**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014